

NO ANALYSIS REQUIRED

Franchise Tax Board

Author: Assembly Rev. & Tax Analyst: Jeani Brent Bill Number: AB 2809
Related Bills: See Prior Analysis Telephone: 845-3410 Amended Date: 08/12/98
Attorney: Doug Bramhall Sponsor: Franchise Tax Board

SUBJECT: Economic Development Areas/Hiring Credit for Employers of Seasonal Employees/NOL Separate Code Sections/LARZ NOL Sunset Date Technical Change

- ☐ ANALYSIS NOT REQUIRED of this bill -- Not within scope of responsibility of this department.
- ☐ TECHNICAL BILL -- No program or fiscal changes to existing program.
- ☐ BILL AS AMENDED NO LONGER WITHIN SCOPE of responsibility or program of the department.
- ☒ TECHNICAL AMENDMENT - No change in previously submitted analysis required. Approved position of prior analysis is _____.
- ☐ MINOR AMENDMENT - No change in previously submitted analysis required. Approved position of prior analysis is _____.
- ☐ MINOR AMENDMENT - No change in approved position of _____. See comments below.
- ☐ OTHER - See comments below.

COMMENTS:

This bill, sponsored by the Franchise Tax Board, would correct a chaptering error by reinstating the December 1, 1998, sunset date of the Los Angeles Revitalization Zone (LARZ) net operating loss (NOL) as enacted by AB 18 (Stats. 1993, Ch. 18). Additionally, to prevent potential future chaptering problems with the various economic development area NOL provisions, this bill would place each economic development area NOL provision into a separate code section, rather than in a subdivision of the same code section.

This bill also would change the economic development area hiring credits by clarifying that the reemployment of seasonal employees shall not constitute commencement of employment. Instead, these employees would be considered continuously employed for purposes of the credit computation. Further, the bill would provide that the recapture rules apply to credits taken for wages paid to any seasonal employee who is not rehired in the applicable subsequent seasons. The bill would define "seasonal employment."

The August 12, 1998, amendments would change the Manufacturing Enhancement Area (MEA) hiring credit in the Bank and Corporation Tax Law (B&CTL) to include the same workforce criteria as those contained in the MEA hiring credit in the Personal Income Tax Law (PITL). Last year when Senate Bill 200 (Stats. 1997, Ch. 609), which enacted the MEA, was amended to change the workforce criteria, as proposed by Assembly Member Grace Napolitano, the change occurred only in the PITL credit and not in the B&CTL credit. This difference was accidental, and the change to the workforce criteria was intended to apply to all taxpayers.

The August 12, 1998, amendments removed from the operative date language referencing to two code sections that previously had been removed from the bill.

The remainder of the department's analysis of the bill as introduced and as amended July 2, 1998, still apply.

Board Position:

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Franchise Tax Board Staff

Date

Jeani Brent

8/26/98